



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 24, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION CONTRACT – A  
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT  
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Los Angeles County Office of Education (LACOE or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

**Background**

CSS contracts with LACOE, a regional education agency, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. LACOE's offices are located in the First, Second, Third and Fifth Districts.

LACOE is compensated on a cost reimbursement basis and has a contract for \$870,972 for Fiscal Year (FY) 2007-08.

**Purpose/Methodology**

The purpose of the review was to determine whether LACOE complied with its FY 2007-08 contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the

*"To Enrich Lives Through Effective and Caring Service"*

Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

### **Results of Review**

Generally, LACOE provided the program services to eligible participants and maintained sufficient internal controls over its business operations. However, LACOE overbilled CSS \$16,550 in unsupported expenditures. Subsequent to our review, LACOE repaid CSS \$16,550.

LACOE also did not accurately report the participants' program activities in the Job Training Automation system for five (22%) of the 23 participants sampled.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with LACOE and CSS on February 13, 2008. In their attached response, LACOE agreed with our findings and recommendations.

We thank LACOE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Donald Kenneth Shelton, Assistant Superintendent, Business Services, Los Angeles County Office of Education  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
LOS ANGELES COUNTY OFFICE OF EDUCATION  
FISCAL YEAR 2007-08**

**ELIGIBILITY**

**Objective**

Determine whether Los Angeles County Office of Education (LACOE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 23 (14%) of the 166 participants that received services from July through November 2007 for documentation to confirm their eligibility for WIA services.

**Results**

All 23 participants met the eligibility requirements for the WIA Youth program.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 23 (14%) participants that received services during July through November 2007. We also interviewed 19 participants/guardians.

**Results**

The 19 participants/guardians interviewed stated that the services the participants received met their expectations. However, LACOE did not accurately report the participants' program activities for five (22%) of the 23 participants sampled on the Job

Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior two years' monitoring reviews.

Subsequent to our review, LACOE updated the JTA system to accurately reflect the five participants' program activities.

### **Recommendation**

1. **LACOE management ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**

## **PERFORMANCE OUTCOMES**

### **Objective**

Determine whether LACOE met the planned performance measures as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

### **Verification**

At the time of our review, the performance outcomes for Fiscal Year (FY) 2007-08 were not available. As such, we compared the reported FY 2006-07 actual performance outcomes to the planned performance measures outlined in the County contract for FY 2007-08 and to the program activities reported on the JTA system. In addition, we reviewed the documentation contained in the case files for seven program participants reported as having completed training and/or placed in employment during FY 2006-07.

### **Results**

Generally, LACOE's FY 2006-07 actual performance outcomes were accurately reported to the WIB and the case files contained documentation to support the program activities reported on the JTA system. In addition, LACOE met the planned performance measures outlined in the County contract.

### **Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2007 bank reconciliation.

**Results**

LACOE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

**Recommendation**

**There are no recommendations for this section.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support eight non-payroll expenditure transactions billed by the Agency for July, August and September 2007, totaling \$7,487.

**Results**

LACOE's expenditures were allowable, accurately billed and supported by documentation as required.

**Recommendation**

**There are no recommendations for this section.**

**INTERNAL CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

LACOE maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

**Recommendation**

**There are no recommendations for this section.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether LACOE's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 19 items purchased with WIA funds, totaling \$12,775.

**Results**

LACOE used the items purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded.

**Recommendation**

**There are no recommendations for this section.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures invoiced for seven employees totaling \$34,230 for September 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five employees assigned to the WIA program.

**Results**

LACOE appropriately charged payroll expenditures to the WIA program. In addition, LACOE's personnel files were properly maintained.

**Recommendation**

**There are no recommendations for this section.**

**COST ALLOCATION PLAN****Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July, August and September 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

LACOE's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

**There are no recommendations for this section.**

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's FY 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced the Agency's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2007.

**Results**

LACOE over billed CSS \$16,550 in unsupported expenditures. Specifically, LACOE's FY 2006-07 general ledger totals did not agree to the totals reported in the Agency's FY 2006-07 Close-Out invoice. A similar finding was also noted during the prior year's monitoring review.

Subsequent to our review, LACOE repaid CSS the \$16,550 in unsupported expenditures.

**Recommendation**

2. LACOE management ensure that program expenditures are adequately supported.

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on June 13, 2007.

**Results**

The prior year's monitoring report contained eight recommendations. LACOE implemented six recommendations. As previously indicated, the two findings noted in this report were also noted during our prior year's monitoring review. LACOE

management indicated that the Agency will implement the outstanding recommendations by June 30, 2008.

**Recommendation**

3. LACOE management implement the outstanding recommendations from FY 2006-07 monitoring report.



## Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

March 4, 2008

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Mr. J. Tyler McCauley, Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
1000 S. Fremont Avenue, Unit #51  
Alhambra, CA 91803

Dear Mr. McCauley:

### Los Angeles County Office of Education's Workforce Investment Act Program

Our office has received the draft report for the Los Angeles County Office of Education (LACOE) Workforce Investment Act (WIA) Program, which includes the results of your findings. We have carefully reviewed your findings and responded to each one of your recommendations as shown below.

#### Recommendation:

1. LACOE management ensures that staff accurately updates the Job Training Automation system to reflect the participants' program activities.

#### LACOE's Response:

The actual attainment of goals was completed in a timely manner as required by the program and recorded accurately but unfortunately reported late, into the JTA system. We have since taken additional corrective steps to prevent this late reporting from happening in the future.

#### Recommendation:

2. LACOE management ensures that program expenditures are adequately supported.

#### LACOE's Response:

The deadline to submit the final invoice to CSS was July 6, 2007 for fiscal year 2006-2007 but here in LACOE we closed the books late August, 2007. The final invoice for FY 2006-2007, totaling \$118,024 was submitted and included estimated expenditures like retro salaries for the unsettled union contract negotiation. Upon final closing, the

Mr. J. Tyler McCauley – LACOE's WIA Program  
March 4, 2008  
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actual total expenditures for FY 2006-2007 was determined to be \$943,616 instead of \$948,015 as reported in July 2007 resulting in over-billing of \$4,399. This amount has since been refunded with warrant number 15885034, dated February 14, 2008. Of the \$16,550 finding, \$12,152 is supported cost but LACOE did not process the line item budget in a timely manner for the supported cost to be reimbursable and has since refunded CSS the full amount with warrant number 15922337, dated February 26, 2008.

Per our discussions during the audit exit interview, we agreed that:

- The auditors will use the final reports to CSS, after our closing in late August for future audits, instead of the June reports (preliminary closing reports).
- LACOE should promptly pay CSS for any discrepancies as described above after final closing and keep copies of the check on file for future reference and upon verification by the auditors, this will no longer be an audit finding in the future.

Recommendation:

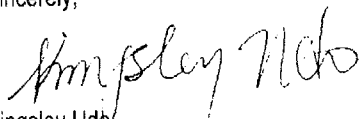
3. LACOE management implements the outstanding recommendations from FY 2006-07 monitoring report.

LACOE's Response:

LACOE did implement all the recommendations from the FY 2006-2007 monitoring report but as is the case with all internal control protocols, we'll continue to review and adjust our protocols with the aim of achieving our goal of efficiently running this and every other categorical program with zero audit findings.

If you have any questions, or require additional information, please contact me at (562) 803-8207.

Sincerely,



Kingsley Udo  
Financial Operations Team Leader  
Controller's Office  
Grants Project Management

KU/PN  
Enclosures

cc: Ms. Patricia Smith  
Ms. Carole Suydam  
Mr. Gerry de Guia  
Ms. Florence G. Meneses